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DIRECTORATE OF
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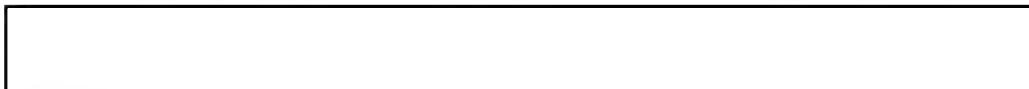
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South Vietnam: The needs of the Vietnamization program probably provided the main impetus for President Thieu's recent shake-up of key military command positions.

A desire for better military leadership rather than political motives seems to lie behind the few command changes announced thus far. Most of the new commanders are experienced line officers considered aggressive, dynamic, and probably loyal to President Thieu.

For example, the commander of the division believed by most observers to be the best in the delta is taking over command of the area around Saigon. His predecessor there, who is generally considered to have performed well protecting the capital, may be in line to be the new II Corps commander. The chronically weak 7th Division, which now has sole responsibility for the upper delta since the departure of US forces from that area, will be taken over by the former commander of an airborne regiment.

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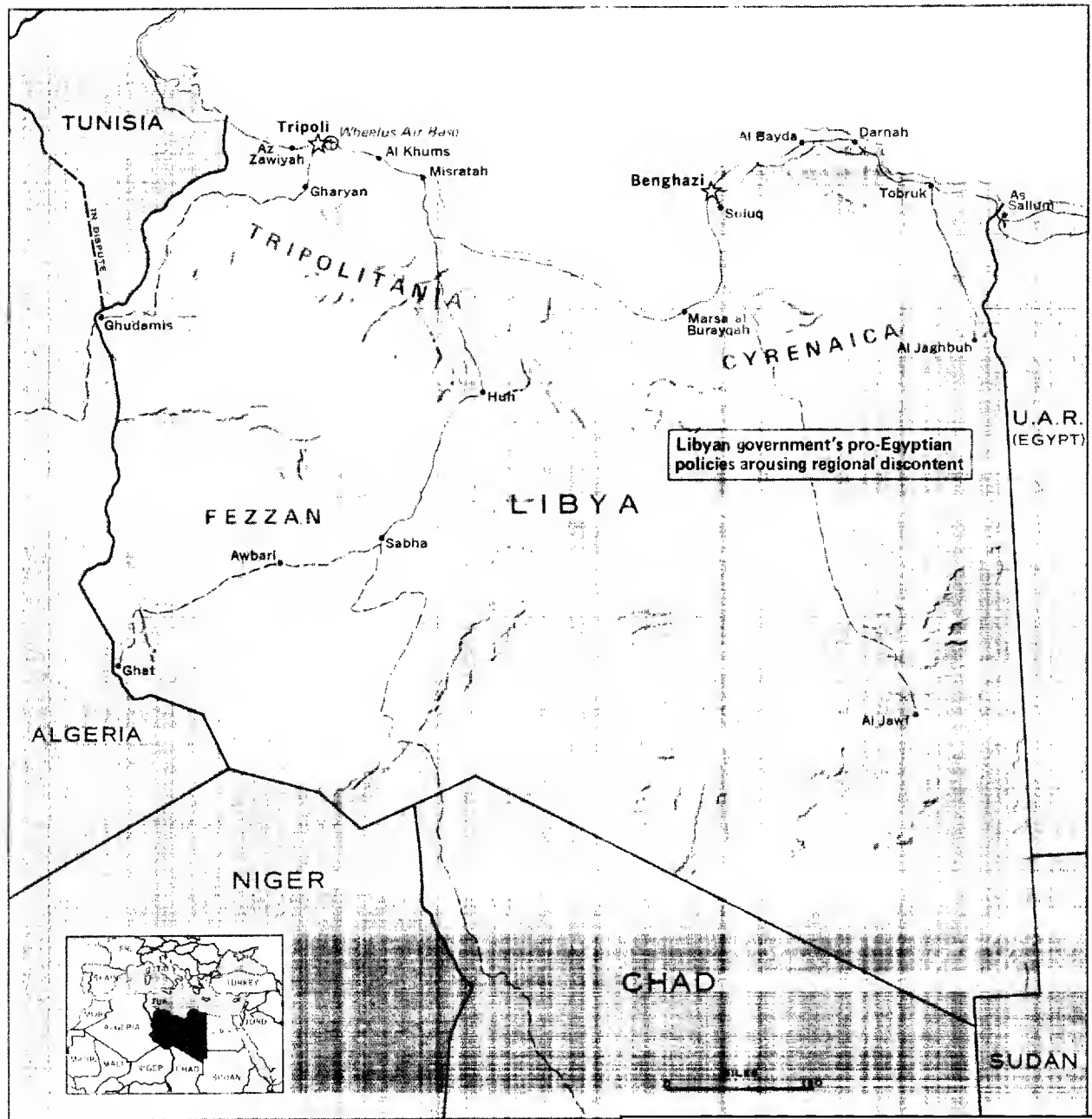
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Libya: The military junta's pro-Nasir policies are arousing regional discontent.

Various elements, including tribes in the Cyrenaican region who are traditionally suspicious of Egyptian expansionism, are becoming increasingly discontented with junta leader Qaddafi. They are particularly wary of his moves to draw closer to Cairo. The most recent manifestation of this feeling was a mutiny [redacted] six days ago in a military camp, when Cyrenaican troops were told they were being assigned to duty along the Suez Canal. [redacted]

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US-Hungary: A US firm has made the first major breakthrough in US industrial sales to Hungary since the liberalization of Hungary's foreign trade last year.

The Corning Glass Works initialed a \$6.8-million contract with a Hungarian firm on 18 January for the sale of know-how, technical assistance, and equipment for a glass factory capable of producing 400 million light bulbs annually. The contract is subject to approval by the US and Hungarian governments. Hungary will pay cash for the plant, which is expected to be completed in two and one-half years.

As part of the deal, Corning will station some of its personnel in Hungary and train a small number of Hungarians in the US. Also, Corning will permit Hungary to export the plant's products, expected to be almost entirely incandescent lamps and photoflash bulbs, to all countries except those with which the US bans direct trade.

The US Embassy in Budapest, in urging approval of the deal, believes that its successful conclusion would provide a boost to US exports. It also would help dispel the belief that US business is neither interested nor willing to trade with Hungary. Trade between the two countries has amounted to only \$10 to \$15 million in recent years. US exports totaled \$5 million in the first three quarters of 1969.

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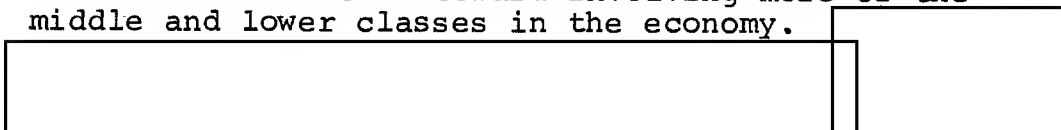
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Guyana: The business community is alarmed by what it regards as strong restrictions against private investment in the proposed 1970 budget.

The fears are based on the unexpectedly sharp tax increases and foreign exchange restrictions recommended by Prime Minister Burnham. The proposals call for the current income tax rate of 45 percent to jump to 51 percent for manufacturing firms and to 61 percent for commercial enterprises. They also restrict the outflow of funds of foreign firms. Domestic businessmen are also concerned that cooperatives will be given favored treatment in the economy and that more stringent controls will be placed on private enterprise.

Recent government announcements have indicated that Burnham expects cooperatives to have a greatly expanded role in the economy after Guyana achieves its "republic" status on 23 February. His policy seems to be directed toward involving more of the middle and lower classes in the economy.



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Cyprus: Bombings and other terrorist acts have continued at a greater tempo during the past several days, despite strict new security measures enacted during President Makarios' absence. Most of the bombing attempts, which are probably the work of the ultraconservative National Front, have been against property and facilities used by British forces based on Cyprus. The front, which strongly favors union with Greece, is incensed by what it views as anti-Greek British foreign policy. President Makarios, now back in Cyprus, is faced with deciding whether to continue the antiterrorist drive or to adopt a more conciliatory role toward extremist groups.

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USSR - Middle East: The defensive tone of a recent public lecture by an official in Moscow provides a new reminder that there are some who question Soviet policy in the Middle East and begrudge the money being spent there. The content of the lecture on 17 January suggests that there is widespread indifference, frustration, and skepticism toward Moscow's involvement with the Arabs. The speaker sought to offset the image of expensive handouts to the Arabs by noting that the USSR was not being philanthropic and had even realized an 11-percent profit on credits to the Middle East in 1968. He also assured his audience that there was little danger of a clash with the US.

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Morocco: Heavy rains since late December have caused severe flooding in one of Morocco's richest agricultural regions. The US, which has already supplied food assistance to the flooded area, has been approached for additional aid. Initially, crop losses are expected to be negligible. The wheat crop can be replaced with corn in the spring, and the citrus crop that has not been harvested can safely remain on the trees for more than a month. Drainage in the area is very poor, however, and if the citrus orchards remain flooded for as long as a month, the trees probably would be damaged seriously.

[REDACTED]

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Philippines - South Vietnam: Manila is trying to keep its foot in the door in Vietnam. Despite the showy and ostensibly total withdrawal last month of its 1,500-man civic action team, the Philippines has left 140 men behind [REDACTED]

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[REDACTED] The Filipinos [REDACTED] raised the question of the disposition of US-supplied equipment, although it was made clear to them before the withdrawal that the equipment would revert to the US or be given to the South Vietnamese. President Marcos obviously is gambling that keeping a token force there will give the Philippines a say in any final settlement and a share in any postwar allocation of military equipment. [REDACTED]

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